

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02

LAB-04 SIL-01 OMB-01 PA-02 PRS-01 USIA-15 STR-04

CEA-01 /074 W

----- 003353

R 230758Z APR 75

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 4931

INFO AMCONSUL HONG KONG

UNCLAS TAIPEI 2183

HONG KONG FOR TREASURY REP

E.O. 11652: N/A

TAGS: EFIN, TW

SUBJECT: GROC LOWERS INTEREST RATES

REF: TAIPEI A-36 OF 2/28/75, ITEM 8

1. ON APRIL 21 CENTRAL BANK REDUCED INTEREST RATES ACROSS THE BOARD BY 3/4 OF ONE PERCENTAGE POINT. KEY NEW INTEREST RATES ARE CENTRAL BANK REDISCOUNT RATE 10.75 PERCENT, SECURED LOANS FROM COMMERCIAL BANKS 13.25 PERCENT, UNSECURED LOANS 14 PERCENT, TIME DEPOSITS RANGE FROM 7.5 PERCENT FOR ONE MONTH TO 10 PERCENT FOR NINE MONTHS, AND SAVINGS DEPOSITS FROM ONE YEAR TO THREE YEARS 12 PERCENT.

2. IN ANNOUNCING CHANGE, CENTRAL BANK SAID MOVE IS INTENDED TO HELP BUSINESS AND INDUSTRY REDUCE PRODUCTION COSTS. GOVERNOR YU KUO-HUA OF CENTRAL BANK FURTHER EXPLAINED THAT PREVIOUS THREE CUTS HAVE CAUSED NO ADVERSE EFFECTS ON PRICES IN DOMESTIC MARKET.

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3. COMMENT. THIS IS FOURTH REDUCTION IN INTEREST RATES

SINCE ECONOMIC STABILIZATION PROGRAM (ESP) OF JANUARY 1974
SET RATES AT UNUSUALLY HIGH LEVELS. FOR EXAMPLE, UNSECURED
LOANS COST 17.5 PERCENT WHILE SAVINGS DEPOSITS ONE YEAR AND
MORE DREW 15 PERCENT. RATES HAVE RACHETED DOWNWARD AT ABOUT
QUARTERLY INTERVALS STARTING SEPTEMBER, THEN DECEMBER AND
FEBRUARY, EACH TIME BY SMALL AMOUNTS. LATEST REDUCTION
BRINGS RATES TO APPROXIMATE LEVEL PRIOR TO ESP. IN ADDITION
TO HELPING EXPORT SECTOR REMAIN COMPETITIVE IN WORLD
MARKET, MOVE SHOULD HELP STIMULATE ECONOMY BY MAKING
ADDITIONAL NEW AND EXPANSION PROJECTS ECONOMICALLY
FEASIBLE. MOVE IS ALSO CONSISTENT WITH GROC'S LONG-
TERM DESIRE HAVE VERY LOW INTEREST RATE STRUCTURE FOR
BENEFIT OF ITS DEVELOPING ECONOMY.

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05 JUL 2006

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TAGS: EFIN, TW
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